

# CSL

Submission to:

The House of Representatives  
Standing Committee on Employment, Education and Workplace Relations

Re: Enquiry relating to Employee Share Ownership in Australian Enterprises

CSL Limited is a researcher, manufacturer, marketer and distributor of biologically based human and animal health care products. A publicly listed company, it is an employer of over 1400 people, based principally on two sites in Melbourne, one in Parkville and one at Broadmeadows.

In May of 1994 the Company was fully privatised and listed on the Australian Stock Exchange. Previously known as the Commonwealth Serum Laboratories, CSI, had a history of over 70 years. Throughout those 70 years CSI, was part of the Australian Public Service (as part of the Commonwealth Department of Health or a government based enterprise).

While significant external recruitment has occurred at all levels since May of 1994, the Company continues to enjoy a culture of minimal turnover (between 3 to 3.5% on an annualised basis) with a significant number of employees of long standing tenure.

The privatisation of CSI, in 1994 marked a major event in CSL's recent history. Besides the obvious change in terms of its ownership, it marked a requirement for a major shift in employee and management focus. The essence of that shift was to ensure a strong focus on the company's responsibility to shareholders, and a need for it to be profitable, competitive and efficient in order to meet the needs of both the shareholders and the market.

The introduction of employee share ownership within CSI, was a major tool in providing that cultural shift. CSI, has provided the opportunity for employees to gain shares through an employee share scheme on two separate occasions. With the company's privatisation in 1994, a general employee share plan was put in place which allowed people to gain \$250 worth of shares for free upon application and \$750 worth of shares were matched on a dollar for dollar basis. Approximately 98% of eligible employees took up the opportunity of being involved in the share plan.

In 1997, as part of an Enterprise Agreement outcome, employees had the opportunity of exchanging the benefits of a 2% bonus for discounted shares. Approximately 70% of all eligible employees took up the opportunity to be involved in that particular share plan.

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The benefits to CSL, achieved through the employee share ownership initiatives to our organisation has proven to significantly increase the focus of our responsibility to shareholders, significantly increase the focus of market forces within our organisation and instil a sense of ownership of the organisation with our employees. As the committee would understand, to attribute productivity and efficiencies directly to the provision of shares as opposed to revised organisational structures, technology, management logistical assistance is a difficult and inaccurate process.

CSI, submits to the Standing Committee the following as a reflection of the benefits that shares have had to the organisation, and to the esteem and overall attitude that employees have as a result of the ability to acquire shares through the organisation.

1. The original general employee shares were made available in 1994 and were able to be exercised in 1997. Of the 1,044 participants in the plan, 398 remain within that plan (38.12%). Of the 867,600 shares that were issued, 283,011 shares remain within the plan (32.62%).
2. 61% of full-time employees participated in the 1999 CSI, Opinion Survey. When asked the question "Enhancing CSI, shareholder wealth is important to me", 69.2% of employees agreed and only 9.0% of employees disagreed or indicated that they didn't know.
3. When asked within the same survey whether they would like to have the ability to be able to access CSI, shares, 81.3% of employees agreed, with only 3.8% of people either disagreeing or not knowing.
4. When they were asked whether they would prefer to receive company shares in lieu of a pay increase, 46.8% of people agreed, with only 24.1% disagreeing.
5. In the 1999 Opinion Survey, employees were given the opportunity to respond to a number of generic questions. 6% of the people who participated in the survey took the opportunity to write comments. In responding to the question "What would you like to see included in the 1999 Enterprise Agreement?", the third most popular response was share access.

As stated these are factual reflections on the belief strongly held by the executives of CSI, that the share scheme has heavily promoted the company's market focus and has strongly aligned the interest of the organisation, as reflected in share market performance with those of employees. In the 1999 Enterprise Agreement which is currently under negotiation, there is an executive agreement that share schemes will be looked at as part of the reward structure as part of that negotiation.